

MINUTES
NATURAL RESOURCES COMMISSION

FEBRUARY 8, 2007

LANSING CENTER
333 E. MICHIGAN
LANSING

PRESENT FOR THE NRC

Keith Charters, Chair
Mary Brown
Hurley J. Coleman, Jr.
Darnell Earley
Bob Garner
John Madigan
Frank Wheatlake

PRESENT FOR STAFF

Jim Riley, Legal Counsel
Becky Humphries, Director
Dennis Fox, Chief of Staff
Dennis Fedewa, Chief Deputy
Mindy Koch, Resource Management Deputy
Jim Ekdahl, UP Field Deputy
Teresa Gloden, Assistant to the NRC
Other DNR Staff

COMMITTEE OF THE WHOLE

Chairman Charters called the Committee of the Whole meeting of the Natural Resources Commission (NRC) to order at 3:25 p.m. The committee of the Whole meeting is a working session of the NRC.

Conservation Summit

Director Humphries stated that a Conservation Summit was held on February 7, 2007 at the Lansing Center, Lansing. It was well-attended by many and various conservation groups, agencies and organization. She thanked The Nature Conservancy (TNC), Michigan United Conservation Clubs (MUCC), Heart of the Lakes, and Michigan Environmental Council (MEC) for taking the lead in developing a coalition to determine the best means of long-term sustainable funding for Michigan's conservation programs. A meeting will be set by these organizations in the near future to discuss this initiative. Those present at the Summit signed the Summit banner showing support for this initiative.

Algonac Natural Area Nomination

Ray Rustem, Wildlife Division, said Parks and Recreation Division has nominated 1,244 acres of Algonac State Park to be designated as a Natural Area under Part 351, of P.A. 451 of 1994. The nominated site contains some of the best example of remnant lakeplain prairie of which less than 1 percent remains in Michigan. The prairie habitat contains numerous rare plant and wildlife species. Dedicating this site will recognize the uniqueness of this site and connect a number of smaller parcels previously dedicated by the Natural Resources Commission.

Wolves

Pat Lederle, Wildlife Division, reported that the U.S. Fish and Wildlife Service has de-listed wolves in the Western Great Lakes Distinct Population Segment which includes all of Michigan, Wisconsin and Minnesota and portions of North Dakota, South Dakota, Iowa, Illinois, Indiana and Ohio from the Federal Endangered Species list. However, the gray wolf in Michigan remains classified as a State threatened species. Although Federal protection will be removed, wolves remain protected under State law and a person may not kill a wolf except under State permit or in immediate defense of human life. Michigan is in the process of removing the gray wolf from this list. Following State delisting, a draft wolf management plan will be released for review and comment for 60 days. This is expected for spring 2007. It will then come to the NRC for final approval. Discussion ensued relative to the wolf population in Michigan.

Outdoor Show Update

Kevin Frailey, Office of Communications, reviewed the outdoor events schedule for 2007. Regarding potential hunting and fishing license fee increases. At outdoor shows, the Office of Communications' staff is getting cautious support on the recommendations for increased hunting and fishing license fees. Every attempt is being made to ensure that staff is knowledgeable on the various subject that may be addressed at the events.

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Director Humphries recognized **Representative Lahti**, who was present.

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Director's Action Items - Discussion

Commissioner Madigan questioned **Land Transaction Case #20060190, Parks and Recreation Land Acquisition, Pine River boating Access Site, St. Ignace**, asking what would the residence that is on the property be utilized for. **David Freed, Office of Land and Facilities**, said he would find out and notify the NRC.

Qualified Forest Property Tax Exemption – Proposed Fee for Review of Forest Management Plans

The qualified forest property tax exemption is intended to provide a property tax reduction as an incentive to private landowners to manage their land for forestry. Land approved as qualified forest property will be exempt from taxes for some school operating purposes. The DNR's recommendation for approval is based upon its consideration of a forest management plan submitted by the landowner. The General Property Tax Act also provides the DNR and opportunity to charge a fee of not more than \$200 for the consideration of each proposed forest management plan submitted. Staff is proposing that a two-tier fee schedule be established for FMFM's consideration of forest management plans submitted by private landowners seeking the qualified forest property tax exemption. A fee of \$100 would be due to the Department for all plans certified by a third-party certifying organization. A fee of \$200 would be due to the DNR for plans not certified by a third-party certification organization. Staff will request Director's approval of the proposed fees at the March 8, 2007 NRC meeting. **Lynne Boyd** noted that these fees would provide enough revenue to fund the review of the plans. She believes this exemption would promote good forest management on smaller properties.

RECOGNITION OF FORMER COMMISSIONER L. THORNTON EDWARDS

Former Commissioner Edwards was present to receive a white pine plaque from the NRC and DNR commending him for being the first African-American to serve on the NRC and for his part in establishing a youth deer hunt in Michigan. He served from January 1996 until January 2001.

Commissioner Garner read the following:

"It is good to see and honor our old friend and former NRC Commissioner Thornton Edwards. It was the good fortune of both Chairman Charters and I to serve with Thornton on this commission for the five years he was with us. It was Thornton who lead us into a committee structure that put more emphasis on technology, information, marketing and education. Knowing that in the modern world that the DNR and the NRC would be better served to put more effort in those areas.

Thornton's good business sense and experience were called upon many times as we dealt with Natural Resources issues. His commitment to youngsters being afforded the opportunity to enjoy hunting and fishing along with other outdoor recreation pursuits were greatly appreciated. In a very important role of supporting youth hunting opportunities Thornton Edwards was an outspoken proponent of the youth Deer Hunting season.

His commitment to the city of Pontiac in order to rebuild it and the Clinton River (which once graced the city but is now inaccessible) show that his commitment to Conservation is constant and unending.

L. Thornton Edwards is the first African-American to serve on the NRC. It is timely, then, to recognize Commissioner Edwards during Black History month and we thank him for his public service and outstanding contributions to Michigan's Conservation Legacy."

Commissioner Edwards thanked the NRC and DNR for this recognition as he accepted the white pine plaque.

PUBLIC APPEARANCES

Tom Barnes, Michigan Association of Timbermen
David Borgeson, Michigan Resource Stewards
Paul Call, Forestry Services Manager, Weyerhaeuser Company, Grayling
Ron Easterly, Roscommon County
Kevin Feenstra, Feenstra Outfitters
Jeff Hubbard, Pere Marquette Outfitters
Luann Kosma, Defense of Place
Marc Lee, Besse Forest Products Group
Bob McReavy, Nester Township
Judy McReavy, Nester Township
Marshall Meads, Vermontville
James Meenahan, Save Our State Land, Commerce Township
Randolph Ston, Save Our State Land
Matthew Supinski, Gray Drake Lodge and Outfitters

David Borgeson, Michigan Resource Stewards, opposes the chumming of game fish. He believes chumming could promote spreading of disease in trout and salmon. He also believes chumming of steelhead and trout is becoming a hindrance to conventional fishing on some of Michigan's premier trout and salmon streams.

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Commissioner Garner left the meeting at 4:52 p.m.

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James Meenahan, Save Our State Land, Commerce Township, opposed the sale of property adjacent to Proud Lake State Recreation Area. This parcel will be included in the Oakland County Phase II Land Review and Boundary Adjustments on the March 8, 2007 Natural Resources Commission Agenda. Mr. Meenahan does not believe there is justification for selling this property.

Randolph Ston, Save Our State Land, opposed the sale of property adjacent to Proud Lake State Recreation Area and any other local state open space assets.

Luann Kosma, Defense of Place, supports retaining the eastern area of Proud Lake State Recreation Areas as a state park in order to protect it in perpetuity.

Matthew Supinski, Gray Drake Lodge and Outfitters, believes that chumming of game fish has become unethical over the past few years. He also expressed concern with the potential of fish eating tainted eggs and spreading disease.

Kevin Feenstra, Feenstra Outfitters, stated that chumming of game fish has increased over the past few years. He has observed poaching of salmon only to harvest eggs from those salmon. He believes that the common hunter is impacted the most from chumming when they fish in an area that has been heavily chummed. Their chance of harvesting a fish is drastically reduced.

Jeff Hubbard, Pere Marquette Outfitters, believes that chumming and the taking of eggs for chumming is limiting fish reproduction. He proposed the ban of chumming on Type 2 through 4 waters in Michigan.

Chairman Charters asked where the chumming is occurring. **Mr. Borgeson** responded that chumming occurs in both rivers and streams.

Chairman Charters referred this issue to the NRC Policy Committee on Wildlife and Fisheries.

HUNTER EDUCATION VOLUNTEER INSTRUCTOR OF THE YEAR

Director Humphries read the following introduction:

"The 2006 Hunter Education Volunteer Instructor of the Year Award goes to an individual from Michigan's magnificent Upper Peninsula who has volunteered as a hunter education instructor for over two decades. Born and raised in St. Ignace, **Mark Eby** graduated high school there, and attended Northern Michigan University in Marquette before returning to work at their third generation family business, Castle Rock.

Mr. Eby lives in St. Ignace with his wife, Margaret, and their two children. Mr. Eby regularly comments, "It was my dad who took me out when I was real young and the outdoors bug must have bit me!" Since then he has been committed to sharing that "outdoors bug" with all youth.

As a small business owner in the St. Ignace Community, Mr. Eby is involved in many community organizations and has always emphasized youth outreach activities. Mr. Eby is an avid sportsperson, hunter, and fisherman, and is a member of several natural resource and sportsmen's organizations.

NATURAL RESOURCES COMMISSION MINUTES

February 8, 2007

Page 5

As a very active member of the Straits Area Sportsman's Club, Mr. Eby has been able to teach hunter education, and recruited over 100 volunteers to assist in the teaching of hunter education. Mr. Eby is a member of the St. Ignace Chamber of Commerce, and volunteers during an annual "Kid's Fishing Day" event, introducing youth to the thrill of fishing.

Mr. Eby was instrumental in organizing and supporting the development of the 4-H Archery Program in Mackinac County, doubling the number of youth archery clubs during the last four years.

It is an honor to recognize **Mr. Mark Eby with the 2006 Hunter Education Volunteer Instructor of the Year Award**. He has displayed dedication to teaching firearm safety, natural resource appreciation, and has introduced thousands of children and adults to the outdoors. His leadership and volunteerism make him a true role model among Michigan residents and visitors.

Thank you and congratulations."

Mr. Eby appreciated receiving the reward and said he enjoys teaching. He said his reward is the smile on the faces of those who receive their hunter safety certificates.

PUBLIC APPEARANCES (continued)

Paul Call, Forestry Services Manager, Weyerhaeuser Company, Grayling, proposed ideas to assist in resolving the budget problems in the Forest, Mineral and Fire Management Division. 1) The Division needs to produce more, not less timber; 2) Sell what customers want to buy; 3) reduce minimum bid prices significantly to reflect current markets; 4) reduce overhead staffing; and 5) create a sense of urgency in staff relative to the current budget situation.

Marc Lee, Besse Forest Products Group, stated that Michigan has a world-class resource in timber and it needs proper silviculture management. **Commissioner Madigan** questioned whether he believes the DNR is culling enough timber. **Mr. Lee** responded no. **Commissioner Wheatlake** reminded that the Legislature appropriates funds--not the agencies.

Tom Barnes, Michigan Association of Timbermen, made recommendations relative to timber sales that he believes would benefit both the DNR and the timber industry and stimulate the forest industry and provide economic returns to the DNR. These are: 1) "No-Bids" be available for purchase for a period of two weeks at the original minimum advertised price. If the sale is not sold, then the sale will be re-advertised at 50 percent of the total appraised price, and so on, until the sale is sold; 2) All minimum prices be reduced by 50 percent for the next six months to try and correct market conditions; 3) set the length of contracts to a minimum of two years with a preference of three years, with a possible one-year extension when extenuating circumstances like extreme weather or drastic market condition changes occur; and 4) once a sale is purchased and the buyer does not believe they would be able to recuperate their original bid price, the purchase can give the sale back to the DNR.

Ron Easterly, Roscommon County, opposes clear-cutting in state. **Chairman Charters** said that there are ongoing discussions relative to clear-cutting on state lands.

Bob McReavy, Nester Township, requested increased deer populations and no clear-cutting.

Judy McReavy, Nester Township, has participated in outdoor activities for many years. She is concerned with the future of the resources and asked the DNR "not sell the forest" and to bring the deer population to abundance.

Marshall Meads, Vermontville, asked for clarity and transparency to the hunting and fishing guide regarding crossbow permitting. He is unable to pull a bow due to previous injuries and asked that the crossbow regulations be changed to allow individuals in his situation to use a crossbow during bow hunting season.

Commissioner Madigan said review of the crossbow regulations as well as other accessibility issues is one of the goals of the NRC Policy Committee on Wildlife and Fisheries. **Alan Marble, Chief, Law Enforcement Division,** said the authority to change the crossbow regulations lies with the NRC.

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The Public Appearances portion of the NRC meeting adjourned at 6:16 p.m. The Regular meeting of the NRC convened immediately thereafter.

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APPROVAL OF MINUTES – FEBRUARY 8, 2007 NATURAL RESOURCES COMMISSION MEETING

Commissioner Wheatlake made a motion, supported by Commissioner Coleman, for approval. Motion unanimously carried.

NRC POLICY COMMITTEE REPORTS

Minutes from all NRC Policy Committee meetings are attached.

NRC Policy Committee on Wildlife and Fisheries - Goals

1. Promote acquisitions of critical deeryard habitat.
2. Increase emphasis on fish and wildlife habitat issues to encourage and facilitate the DNR's partnering with fish and wildlife habitat groups and private property owners to manage their timber along with developing long-term plans for agricultural habitat enhancements.
3. Continue discussion on accessibility and review of current laws and policies to include more opportunity for hunters and anglers with disabilities.
4. Bring forth review of wildlife and fisheries regulations. Increase Committee and public awareness about the benefits and limitations of fish and wildlife management tools to include fish hatchery operation, fish stocking, habitat rehabilitation, size and bag limits, and antlerless deer harvest.
5. Bring forth review of the use of guides for hunting in Michigan.
6. Ensure that the DNR is fully engaged in regional, national and international fish and wildlife management initiatives that will ultimately improve fish and wildlife populations in Michigan.
7. Ensure the DNR takes all possible actions to prevent the spread of fish and wildlife pathogens.
8. Simplify regulations.

Commissioner Madigan made a motion, supported by Commissioner Wheatlake, for approval. Motion unanimously carried.

NRC Policy Committee on Finance and Administration – Goals

1. Work to obtain public and legislative support for a hunting and fishing license package.
2. Collaborate with the DNR's resource partners to develop a long-term, dedicated, stable funding strategy to ensure conservation of the DNR's natural resources.
3. Continue to openly review the DNR's financial status on a regular basis to assure transparency.

Commissioner Wheatlake made a motion, supported by Commissioner Earley, for approval. Motion unanimously carried.

NRC Policy Committee on Land Management – Goals

1. Continue to ensure timely implementation of the Land Consolidation Strategy.
 - a. The following Phase II reviews will be completed and ready for approval by the NRC and the Director in accordance with the following schedule:
 - Group 5 (10 counties): March 2007
 - Group 6 (11 counties): June 2007
 - Group 7 (11 counties): November 2007
 - b. Phase III of the Land Consolidation process will involve public auctions of lands in accordance with the following schedule:
 - Auction 1: February 2007
 - Auction 2: May 2007
 - Auction 3: June 2007
 - Auction 4: August 2007
 - Auction 5: October 2007
2. Evaluate options for improving public participation in land management decisions. Assess current research, obtain feedback from key stakeholders, and provide recommendations to the NRC by December 2007.
3. Review and evaluate the "Generally Accepted Forest Management Practices" submitted by the Forest Management Advisory Committee. Formulate recommendations for NRC consideration no later than November 2007.
4. Promote an understanding of the principles and benefits of ecosystem management in restoring, protecting and managing Michigan's natural resources. Develop a policy statement on ecosystem management by March 2007.

Commissioner Coleman made a motion, supported by Commissioner Madigan, to accept the goals of the Committee. Motion unanimously carried.

NRC Policy Committee on Technology, Information, Marketing and Education - Goals

Technology: Continuance of Web site enhancements, such as adding an education page and navigation button on DNR home page; post 3-5 brief (1-minute) video/audio "shorts" reflecting use and enjoyment of Michigan's natural resources; produce one MP3 downloadable, self-guided hike/auto tour of one of our state parks and visitor center. Deliver DNR key messages and

NATURAL RESOURCES COMMISSION MINUTES

February 8, 2007

Page 8

"pitch" the sale of hunting, fishing, trapping licenses and park stickers via our computer retail sales system.

Information: Finalize RFP for advertising in hunting/fishing/recreation guides; assess opportunities to produce for-sale publications to generate new revenue; hold three (UP, northern LP and southern LP) "DNR open houses" to discuss and review DNR goals and ecosystem management with our stakeholders.

Marketing: Develop a communication/marketing strategy for DNR; continue Showcasing the DNR and expand distribution to include more daily newspapers and partners' newsletters. Continue to work with youth-serving organizations, such as the DNR-Salvation Army Outdoors partnership to offer field trips or other program experiences of joint benefit.

Education: Review school outreach and other DNR outreach programs; review and provide update on on-line hunter education; continue to expand Archery in the Schools to local parks and community recreation centers; finalize Kids' Web page; continue kids Nature News newsletter with eventual conversion to Web; review impact of new apprenticeship and hunting age legislation on hunter safety; pilot an educational/technological program with a resource division; e.g., Wildlife, and a school--radio collar wolf or moose with telemetry and allow school children to track movements on the Web; establish one "Tour Michigan" project, highlighting DNR places of interest and "great destinations."

Commissioner Brown made a motion, supported by Commissioner Coleman, to accept the Goals of the Committee. Motion unanimously carried.

COMMISSIONER REPORTS

Commissioners Wheatlake and Coleman stressed the importance of involving youths in conservation activities and in NRC activities as the NRC holds meetings throughout the state.

Commissioner Earley stated that the mission of the DNR staff is to manage the resources of Michigan. He is concerned with the dwindling resources in the DNR and the effect that will have on the ability to manage those resources.

Commissioner Brown thanked everyone for the well-wishes while she was out for health reasons. She feels good and is glad to be back.

Commissioner Madigan thanked Chairman Charters for initiating the Conservation Summit held on February 7, 2007.

Commissioner Coleman is impressed with the abilities and knowledge of staff (referring to presentations made earlier in the Policy Committee meetings). He is pleased to be a part of preserving Michigan's natural Resources.

DIRECTOR'S ACTION ITEMS

Director Humphries signed all Director's Action Items **except Land Transaction Case #20060190, Parks and Recreation Land Acquisition, Pine River Boating Access Site (BAS) 49-28, St. Ignace Township – Mackinac County**. This item will be reviewed further and brought back for consideration at the March 8, 2007 NRC meeting.

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The meeting adjourned at 6:40 p.m.

**NRC Policy Committee on Wildlife and Fisheries
Meeting Minutes
February 8, 2007
9:00 a.m.**

Meeting began at 9:00 am. All NRC Commissioners were present except Commissioner Charters. Also present were Director Rebecca Humphries, Resource Deputy Mindy Koch, UP Field Deputy Jim Ekdahl, and Chiefs Alan Marble, Bill Moritz, and Kelley Smith.

Gary Whelan, Fisheries Division, provided an update on Viral Hemorrhagic Septicemia (VHS). VHS causes large scale hemorrhaging in internal organs and osmotic regulation failure (similar to kidney failure). There have been large scale mortalities seen in rainbow trout and turbot in Europe and in Pacific herring in Puget Sound, WA. This disease cannot transfer to humans. VHS was confirmed in Lake Ontario in Spring 2005. In Spring 2006, there were large scale mortalities to muskies, freshwater drum, yellow perch, and round gobies. Overall, the disease has been found in 15 species in Michigan. Gary discussed Federal VHS regulatory actions and then outlined DNR's VHS actions, which include meeting with constituents, developing a set of VHS management recommendations. The angling and boating community are essential for helping to stop the movement VHS. This disease most likely will not be eradicated but slowed, which is the DNR's goal at this time.

Paul Seelbach, Fisheries Division, explained the scope of Fisheries Division's work responsibilities versus work capacity. He outlined the Fisheries Division's mission: to protect and enhance all forms of aquatic life and the habitats upon which they depend, and to provide for the wise use of the state's aquatic resources for the benefit of current and future generations. He discussed strategic programs, which include recreational fisheries; aquatic resources; state commercial fisheries; administration; coordination with tribal fisheries; fish production; outreach and education; resource mitigation. Paul showed survey results where Minnesota, for example, has 420 employees for 5,000,000 acres of fresh water versus Michigan who has less than 200 employees for 22,000,000 acres of fresh water.

Bill Moritz, Wildlife Division, and Kelley Smith, Fisheries Division, highlighted the 2007 "issue items" for this committee. Bill specifically highlighted the need to look at ADA, which is scheduled for August. Also, the Committee wants to look at the issue of hunting guides and possibly discuss in April.

Dave Bostick, Wildlife Division, presented proposed Bear Management Units for the 2007 season for information to the commission. The NLP BMUs have been reconfigured to major road boundaries. In addition, these BMUS' have added all or part of 8 counties on south and west sides of existing Baldwin and Gladwin units. The rationale for proposed changes includes: use of roads as boundaries (hunter recognition and enforcement); and increase in bear sighting over the last 5 to 10 years in some counties where bear hunting is not currently allowed. Dave also talked about the State Black Bear Management Plan.

Bill Moritz discussed the one buck bag limit was put in for information. The DNR has a hunter opinion survey out right now asking the public their thoughts on one buck. Information from the survey will be presented at March NRC meeting.

The Committee approved their 2007 goals.

Meeting ended at 10:50 am.

**NRC Policy Committee on Land Management
Meeting Minutes
February 8, 2007
11:00 a.m.**

Present:

Commissioner Keith Charters, Chair
Commissioner Mary Brown
Commissioner John Madigan
Commissioner Frank Wheatlake
Commissioner Hurley Coleman
Commissioner Darnell Earley
Director Rebecca Humphries
Chief Deputy Dennis Fedewa
Resource Management Deputy Mindy Koch
U.P. Deputy Jim Ekdahl
David Freed, DNR, OLAF
Lynne Boyd, DNR, FMFM
Bill Moritz, DNR, WLD
Mary Dettloff, DNR, COM
Doug Finley, DNR, COM
Pat Stewart, DNR, COM
Cara Boucher, DNR, FMFM
Mike Bailey, DNR, WLD
Kelly S. Carter, DNR, WLD
Cindy Salmon, DNR, OLAF
Donna LaCourt, DNR, FMFM
Chris Klaver, Gongwer
Kevin Korpi, MI Forest Products Council
George Berghorn, MI Forest Products Council
Ron Shaver, MI Resource Stewards
Jim DeClerck, Saginaw Field and Stream Club
Warren Suchovsky, Forest Mgmt. Ad. Council
Stacy Welling, Governor's U.P. Office
Mike Thorman, MI Hunting Dog
Jim Ballard, MI Hunting Dog
Don Meixner, MUCC
Dan Radloff, MUCC
Jerry Keck, MI Bow Hunters
Kelvin Smyth, New Page, Escanaba
Paul Call, Weyerhaeuser Co.
Mark Lee, Besse Forest Products
Brad Homeier, New Page Corp.
Bill Hennigan, Holli Forest Products, Inc.
Tom Barnes, MI Association of Timbermen
Dave Borgeson, MI Resource Stewards
James Meenahan, Save Our State Lands

Chairman Keith Charters called the meeting to order at 11:10 a.m.

Chairman Charters welcomed back **Commissioner Mary Brown**.

2007 Committee Goals

Deputy Koch reviewed the proposed goals.

1. Continue to ensure timely implementation of the Land Consolidation Strategy.
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 - b. Phase III of the Land Consolidation process will involve public auctions of lands in accordance with the following schedule:

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Auction 5: October 2007
2. Evaluate options for improving public participation in land management decisions. Assess current research, obtain feedback from key stakeholders, and provide recommendations to the NRC by December 2007.
3. Review and evaluate the "Generally Accepted Forest Management Practices" submitted by the Forest Management Advisory Committee. Formulate recommendations for NRC consideration no later than November 2007.
4. Promote an understanding of the principles and benefits of ecosystem management in restoring, protecting and managing Michigan's natural resources. Develop a policy statement on ecosystem management by March 2007.

Commissioner Brown made a motion to approve the goals as proposed, and **Commissioner Coleman** seconded, however **Commissioner Coleman** would like to see an education and outreach plan added to the last goal, to go along with the policy – we need an implementation plan.

The goals will be forwarded to the NRC Committee of the Whole for approval.

The Motion carried unanimously.

Recognition Policies

Chief Deputy Dennis Fedewa had handouts that he provided last month, along with a new handout giving examples to aid in understanding. He introduced **Doug Finley** who developed the examples. **Dennis** did a quick review of the four examples.

- The Policy creates a framework to manage opportunities for both DNR- initiated and unsolicited offers
- Maintains and establishes core DNR principles
- Provides a transparent process for the Department to follow

Commissioner Brown asked how this policy will affect the DNR's ability to recognize an outstanding individual. She sees this as a problem – does the policy put a dollar amount on any recognition? She wants the ability to name things after people who do outstanding things, not just giving money. **Dennis Fedewa** said the NRC still has this ability.

Commissioner Coleman agreed that an endowment should be for a certain amount and we should be proactive in setting that before someone comes to us with a proposal. **Commissioner Brown** thought the term limit should be 25 years – 100 years is too long.

Doug Finley said there are two thresholds. There has to be parity of what the person will receive for the dollar amount that they give. **Commissioner Brown** feels that a staff member should not make the decisions; there should be more detail in the policy up front to weed out proposals.

Dennis Fedewa said we could expand upon this in the policy. **Chairman Charters** would like this concluded by summer. **Director Humphries** said it needs to be discussed with Forest Management Advisory Committee, which meets March 7th.

Chairman Charters thanked Dennis Fedewa.

Minimum Bid for Timber Sales

Lynne Boyd said what they intend to present is really much broader than the minimum bid for timber sales.

She turned it over to **George Berghorn** from the forest industry to present their perspective. Five members from the Michigan Forest Products Industry are present with us today. Present were New Page Corporation from Escanaba, Holli Forest Products from Ishpeming, Besse Forest Products Group from Gladstone, Weyerhaeuser Co. from Grayling, and Suchovsky Logging Co. from Stephenson. The following discussion was presented by **Brad Homeier of New Page Corporation**.

In 2006 there was significant amount of down time by the major mills in the Upper Peninsula, and a reduction in demand for wood. Some of this was related to spending time to refurbish the mills.

In 2007, mills are currently running at normal production levels – more hardwood than soft. There were a significant number of no-bids for timber sales. There has been a large increase in value, along with a demand reduction from 2006.

The stumpage prices and the wood prices are coming down, so the timber industry would like to request a reduction in the minimum bid. If the prices remain high there will continue to be an increase in no-bids.

Please look at reducing the minimum bid.

The timber industry encouraged the DNR to limit fund switches that undermine the integrity of the Forest Development Fund.

Brad Homeier also encouraged the DNR to move out of compartment reviews and allow them to immediately get to stands of diseased hardwood (beech bark disease and jack pine bud worm) before the disease kills the trees and makes them have no value.

The next speaker was **Bill Hennigan of Holli Forest Products**. The DNR accounts for 30 percent of timber that his company harvests every year. They have had a good partnership with

the DNR over the past 30-some years. A lot of new firms have come to Michigan during that time.

There have been three major mills go out of business in Michigan in the last year. This has changed the wood buying climate dramatically. The lake states have become non-competitive because we have the highest wood costs.

There is a necessary correction taking place with the minimum bid – the only way to get that to happen was to have “no-bids.”

The U.S. Forest Service constantly contacts his company when there is no-bid and asks them why. They are always interested in what is going on in the industry. They reacted immediately and lowered the minimum bid. He suggests the DNR put out timber sales with no advertised minimum bid, with the right to reject all bids. Let the market tell you what it should be worth. The markets are constantly changing and the prices are lower today than they were a year ago.

He applauds the effort of the DNR to look at funding switches. He also suggests that the DNR quit putting out reams of paper and use an internet notification process for timber sales.

To wrap up, they are getting less for their product today, so they need the DNR to adjust.

Lynne Boyd said we are laying out a change to minimum bid today that can go in effect tomorrow. The DNR is trying hard to meet their needs. We already have in place the ability to do a salvage sale when we have a fire or wood is diseased, to address **Brad's** concern.

Donna LaCourt gave a PowerPoint Presentation on the timber sales issues.

Commissioner Madigan asked **Brad** about the refurbishment of his paper mill – will they now require more pulp? **Brad** said they will now just operate more efficiently. **Commissioner Madigan** also asked who is cheaper, Federal, State or Private. There is more work on a private sale, so it is hard to compare. The private sale has additional requests. One is not significantly cheaper than another. The Forest Service is the hardest to work with. **Commissioner Madigan** has the feeling that we are way out of line in our pricing and **Brad** said the Forest Service has significantly reduced their minimums.

The only gage a private landowner has is checking what the DNR is receiving for their timber.

Donna LaCourt from Forest, Mineral and Fire Management reviewed a PowerPoint presentation.

Minimum Appraisal Values

Problem

- Current system uses four quarter running sale average, adjusted for sale limitations.
- Many sales input 4-6 months before the sale date.
- Sales advertised with an appraised value higher than the current market.
- Ed result – high number of no-bid sales.

Corrective Action

- Review and manually update pricing immediately before sale advertisement to reflect current markets.

Cara Boucher noted that we still have a strong market in the U.P. The majority of no-bids have been in the northern Lower Peninsula.

Bill Hennigan suggested we just ask for bids on everything – don't set the price on certain products.

Lynne Boyd said they do recognize there is a problem with this. **Cara** said we will continue to set a price on species, but everything will be bid rather than a set price.

No Bid Sale Procedure – there have been an increasing number of no-bid sales in the last six months due to changing demand and the advertisement of higher-than-market minimum appraised values. The corrective action requires a decision on a course of action within one week of the no-bid sale:

- Leave to be picked up at minimum appraised value. If not picked up in 21 days, reevaluate
- Re-advertise within 60 days with a reduced minimum appraised value
- Modify the sale and re-advertise
- Withdraw from the market

No Penalty Extensions – A one year no-penalty extension may be awarded on a case-by-case basis when the purchaser has made a reasonable effort to operate during available times, but any of the following conditions have made it impossible or unreasonable to complete the contract.

- Unusual weather
- Death, injury or medical condition interfering with producer's operations
- Full payment for the entire sale
- Significant operability restraints imposed by the State after issuance
- Market constraints

Market Constraint Factors – A combination of market constraint related factors must exist to qualify for a market constraint based free extension.

- Location
- Species composition
- Local mill information
- Sale length and activity
- Purchaser history
- Sustained price declines

Chairman Charters asked for comments. **Commissioner Wheatlake** said it is a good start and seems workable.

Warren Suchovsky noted the he concurs with what **Bill Hennigan** and **Brad Homeier** presented today.

Bill Bobier said he is supportive of this process. The industry, in rising markets, needs to get out there and get that product cut. The public will hold them accountable.

Chairman Charters said Item 4 on the agenda, **Qualified Forest Property Fee Proposal**, would be addressed in the **Committee of the Whole**.

Chairman Charters adjourned the meeting at 12:10 p.m.

NRC POLICY COMMITTEE ON FINANCE AND ADMINISTRATION
Meeting Minutes
February 8, 2007
1:30 p.m.

Committee Chair Wheatlake and Commissioner Earley were present for the Committee. Commissioners Charters, Brown, Coleman and Madigan were also present.

FY 2007 Budget Reductions

Dennis Fedewa, Chief Deputy, addressed funding shortfalls in the DNR and reviewed Fiscal Year (FY) budget reductions in the Forest Development Fund and the Game and Fish Protection Fund.

Forest Development Fund is experiencing revenue shortfalls. **Lynne Boyd, Chief, Forest, Mineral and Fire Management Division**, presented the reduction plan for the Forest Development Fund for FY 2007 and FY 2008. The FY 2007 reduction plan totals nearly \$6 million which includes cutting 16.5 full time equivalents (FTEs). Negative impacts from these reductions includes: impairing the Division's ability to manage state forest health, fight wildfires, delay repair and replacements of forest roads and bridges; delaying replacement of fire equipment and reduce fire officers, less training of fire fighters, among others. **Ms. Boyd** noted these are significant impacts.

Game and Fish Protection Fund: The 2007 Reduction Plan totals \$5.2 million and 23.3 FTEs. Impacts of these reductions includes: reducing disease surveillance, habitat management, research, training and administration; reducing fish stocking; reduce overtime of law enforcement officers; and reduce private landowner assistance. The 2007 reduction plan shows more FTE reductions in fisheries than with Wildlife Division. This is due to the fact that Wildlife Division has already eliminated their short-term workers. **Dr. Smith** said that the most important activities will continue to be done.

NRC Chairman Charters said the bottom line is that staff is not going to be able to do the same level of work with less people and less money.

FY 2008 Budget

Sharon Schafer, Office of Budget and Support Services, presented a summary of the FY 2007-2008 Executive Recommendations changes to the Operating Budget. The overall total change from FY 2006-2007 to FY 2007-2008 totals a 1.89 percent decrease for General Fund/General Purpose (GF/GP) and a .38 percent decrease overall. The budget contains boilerplate language reducing Game and Fish Protection Fund expenditures by \$8 million if the license package is not approved by October 1, 2007.

Division chiefs provided brief explanations of the impacts of the reductions and potential reductions.

Bill Moritz, Chief, Wildlife Division, would reduce research, contracts and disease surveillance.

Kelley Smith, Chief, Fisheries Division, would not be able to fill vacancies and would have to eliminate all short-term workers.

Alan Marble, Chief, Law Enforcement, would not fill Conservation Officer positions; would reduce the Report All Poaching (RAP) room activities; and would not purchase badly needed equipment to replace antiquated equipment.

Lynne Boyd would not fill vacancies affecting the Division's ability to mark timber and address forest health and regeneration issues; private land assistance provided by conservation districts will be eliminated; timber marking contracts and the forest inventory assessment payment will be eliminated; equipment purchases delayed; replacement of fire equipment will be delayed and temporary fire offices numbers will be reduced; and administrative staff duties will be redirected or eliminated.

Director Humphries noted that in 1995, the DNR had 1800 employees. If the budget reductions occur, the DNR will be below 1200 employees.

Commissioner Earley stated that, with these budget cuts, there wouldn't be enough employees to protect the vitality of Michigan's resources. That is what is at stake.

Hunting and Fishing Licence Fee Proposal Update

Chairman Wheatlake stated that no one in the Legislature has introduced legislation relative to license fees. However, the sentiment seem to sway toward incremental increases over time. It is important for the state's constituents to contact their Legislator encouraging the need for additional revenue in the Game and Fish Protection Fund to protect the resources.

DNR Investments Update

Mark Haas, Department of Treasury, presented an update on the DNR investments for the period covering 9/30/06 through 12/31/06 for the following funds: Game and Fish Protection, Game and Fish Trust, MCCC Endowment, Natural Resources Trust fund, State Parks Endowment, and Non-Game Trust.

NRC Chairman Charters asked who makes the decisions on investments. **Mr. Haas** responded that the State Treasurer has the responsibility and authority to make asset allocation decisions. These decisions, however, are made in an open forum and in consultation with the NRC and the Michigan Natural Resources Trust Fund Board members.

Charters asked how interest income from the various investments was utilized. **Mr. Haas** responded that the interest income is utilized in various ways depending on the type of investment.

Mr. Haas said that DNR funds where the revenues are fee driven are constitutionally protected. He noted that Treasury is charging the DNR five percentage basis points for their investment services. He said they attempt to make sure no funds are supporting other funds.

2007 Committee Goals

1. Work to obtain public and legislative support for a Hunting and Fishing License Package
2. Collaborate with the DNR's resource partners to develop a long-term, dedicated, stable funding strategy to ensure conservation of the DNR's natural resources.
3. Continue to openly review the DNR's financial status on a regular basis to assure transparency.

The Committee adopted the above goals.

The meeting adjourned at 2:45 p.m.

**NRC POLICY COMMITTEE ON
TECHNOLOGY, INFORMATION, MARKETING AND EDUCATION
Meeting Minutes
February 8, 2007**

The meeting convened at 2:45 p.m.

Chair Brown and Kevin Frailey, Office of Communications, reviewed the 2006 goals of the Committee. The Committee's 2007 goals were reviewed and presented later to the NRC for a vote. (refer to NRC Minutes for these goals).

The meeting adjourned at 3:10 p.m.